

## Message Text

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PAGE 01 STATE 177254

64

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C O N F I D E N T I A L STATE 177254

E.O. 11652: N/A

TAGS: ETRN, WB, GW, UK

SUBJECT: BRITISH AIDE-MEMOIRE ON BEA DIFFICULTIES IN  
BERLIN SERVICE

1. THERE FOLLOWS TEXT OF BRITISH AIDE-MEMOIRE OF SEPTEMBER  
4 ON BERLIN AIR SERVICES. SEPTTEL CONTAINS SUMMARY OF  
INITIAL DEPARTMENTAL RESPONSE AND PROPOSED US COURSE OF  
ACTION.

QUOTE. AIDE-MEMOIRE. THE DEPARTMENT OF STATE IS  
AWARE OF THE DIFFICULTIES WHICH BRITISH EUROPEAN  
AIRWAYS HAVE FOR SOME TIME BEEN EXPERIENCING IN  
ACHIEVING COMMERCIALLY VIABLE OPERATIONS ON THE INTERN-  
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PAGE 02 STATE 177254

AL GERMAN SERVICES BETWEEN THE FEDERAL REPUBLIC OF

GERMANY AND BERLIN.

QUOTE. TALKS IN WASHINGTON IN JANUARY 1973 BETWEEN THE STATE DEPARTMENT AND A UNITED KINGDOM DELEGATION LED TO THE ESTABLISHMENT OF A FRAMEWORK WITHIN WHICH BEA AND PAN AMERICAN AIRWAYS MIGHT PROTECT THEMSELVES AGAINST THE EFFECTS OF THE CURRENT DECLINE IN TRAFFIC ON THESE SERVICES THROUGH A MUTUALLY AGREED PROGRAMME OF CAPACITY REDUCTION. HER MAJESTY S GOVERNMENT REGRETS TO SAY, HOWEVER, THAT THE RESULTING DISCUSSIONS BETWEEN THE TWO AIRLINES HAVE NOT HAD THE EFFECT OF ENABLING BEA TO REACH A SITUATION IN WHICH THEY SEE THE LIKELIHOOD OF AVOIDING FINANCIAL LOSS.

QUOTE. THE BRITISH AIRWAYS BOARD (BAB), WHICH NOW CONTROLS BEA, HAS IN CONSEQUENCE BEEN GIVING SERIOUS CONSIDERATION IN ITS FORWARD PLANNING TO THE POSSIBLE NEED FOR WITHDRAWAL FROM THE INTERNAL GERMAN SERVICES. THE BOARD IS REQUIRED TO OPERATE IN A WHOLLY COMMERCIAL WAY. BUT, BECAUSE OF THE POLITICAL IMPORTANCE OF THE INTERNAL GERMAN SERVICES, HER MAJESTY S GOVERNMENT WOULD NATURALLY PREFER, BEFORE CONSIDERING BAB PROPOSALS TO WITHDRAW, TO EXPLORE FULLY WITH THE US AUTHORITIES, AND IN DUE COURSE WITH THE FEDERAL GERMAN AUTHORITIES, THE POSSIBILITY OF SOLVING BEA S DIFFICULTIES THROUGH FURTHER IMPROVEMENT OF THE COMMERCIAL CONDITIONS IN WHICH THE INTERNAL GERMAN SERVICES ARE OPERATED. THE REMEDY MIGHT, FOR INSTANCE, LIE IN A COMBINATION OF FURTHER FARE INCREASES, FURTHER FLEXIBLE RATIONALISATION AND POSSIBLY AN INCREASE IN THE FEDERAL SUBSIDY ON BERLIN FARES. SUCH MEASURES WOULD NEED CONSIDERATION IN THE GENERAL CONTEXT OF THE WHOLE FUTURE REGIME OF AIR SERVICES TO BERLIN. BUT POSSIBLY FEDERAL GERMAN SUPPORT FOR THE INTERNAL GERMAN SERVICES MIGHT IN DUE COURSE, APPROPRIATELY TAKE THE FORM OF LUFTHANSA PARTICIPATION IN THESE SERVICES.

QUOTE. HER MAJESTY S GOVERNMENT THEREFORE SUGGEST THAT HIGH-LEVEL TALKS BETWEEN A UNITED KINGDOM  
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PAGE 03 STATE 177254

DELEGATION AND THE STATE DEPARTMENT SHOULD TAKE PLACE ON THIS SUBJECT IN WASHINGTON AS SOON AS POSSIBLE. END TEXT. END QUOTE. RUSH

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